

# Loftus Peak Global Change Portfolio

Investing | Future Focused



## December 2023 Update

Founded in 2014, Loftus Peak is a global fund manager with a focus on investment in listed disruptive businesses. Our extensive experience means we bring significant discipline to the process. Our Portfolio comprises some of the best and fastest-growing companies in the world – companies that we believe are driving change across all industries globally, constructed on the basis of strict criteria at carefully determined valuations. Holdings include large capitalisation names like Microsoft and Google (Alphabet), as well as many others that we expect to be household names in the future, such as Advanced Micro Devices and Qualcomm. This approach to investment across a wide range of industries globally lowers the concentration risk inherent in the typical Australian portfolio, with its heavy skew toward banks, resources and the Australian dollar.

### Review and Performance<sup>1</sup>

2023 ended with a bang as the Portfolio racked up a further +3.5% net-of-fees gain during the month, outperforming the MSCI All Countries World Index (net) as expressed in AUD from Bloomberg by +2.2% and bringing the total return for the year to +63.2% net-of-fees, outperformance of +41.3%. It was the best year in the Portfolio's history for both absolute and relative performance.

In his December address, Fed Chair Jerome Powell said that rate hikes were “not the base case anymore” and left open a path to rate cuts in 2024. The months-long rally seen in equity markets and steep decreases in US Treasury yields showed that investors had already figured this out - the futures market is now pricing 1.5% in interest rate reductions through 2024. This entire manoeuvre may become known as an interest rate pivot with downward inflation twist and accompanying soft landing. In truth, it has been well executed.

	1m	3m	6m	1y	3y p.a.	5y p.a.	8y p.a.	Inception p.a.
Portfolio (net-of-fees)	+3.53%	+16.76%	+13.91%	+63.20%	+9.35%	+19.31%	+16.46%	+17.28%
Benchmark	+1.28%	+4.63%	+4.65%	+21.92%	+10.00%	+12.39%	+10.66%	+11.38%
Outperformance (net-of-fees)	+2.25%	+12.13%	+9.26%	+41.28%	-0.66%	+6.92%	+5.81%	+5.90%

<sup>1</sup> Manager estimated returns. The Portfolio Benchmark is the MSCI ACWI (net) (as expressed in AUD from Bloomberg). Portfolio Inception date is 30/06/14. All returns are shown to two decimal places. Returns for periods of more than one year are annualised. Total returns include realised and unrealised gains. Valuations are computed and performance reported in Australian dollars. Net-of-fees performance returns are presented after management and performance fees. Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.

### Contributors and Detractors to Return

The Portfolio's semiconductor holdings were the top performers again, with **Qualcomm**, **Advanced Micro Devices**, **Broadcom**, **WolfSpeed**, and **Taiwan Semiconductor** making up the top five contributors for December, adding a total of +2.8% to Portfolio value. It is worth noting that none of the 'Magnificent Seven' (Apple, Alphabet, Microsoft, Meta, Amazon, Tesla and Nvidia) made it into this top group in December.

They (Qualcomm, AMD et al) are nonetheless important players across a diverse range of industries including transportation, media, retail, banking and communications. Even this late in the development of semiconductors there are still formal GICS® classifications which pigeonhole the companies making these building blocks as if they were a category separate from the industries which they power. Such outdated classifications are analogous to the categorisation of a shoe factory powered by coal fired electricity as an energy play.

The largest underperformers were **Roku** and **Microsoft**, which together cut -0.9% from the value of the Portfolio in December notwithstanding being very strong performers for the year, contributing +6.6% and +4.4% respectively.

Microsoft's performance for the year is witness to the broader disruptive trend that is Artificial Intelligence (AI). Beginning with Microsoft's partnership with OpenAI in late 2022, AI has energised the well-capitalised companies that exist along the data value chain. This is especially clear in the hyperscalers (Microsoft, Amazon and Alphabet) as well as in semiconductors.

### Key Facts

Inception Date	30 June 2014
Strategy FUM (AUD)	\$331 million
Product Type	Managed Discretionary Account
Product Sponsor	Mason Stevens Limited
Benchmark	MSCI ACWI (net) (as expressed in AUD from Bloomberg)
No. of Investments	10-35
Minimum Cash Allocation	2%
Maximum Cash Allocation	20%
Maximum weighting per investment	20% at time of purchase
Minimum Investment	AU\$150,000
Liquidity	Daily
Suggested timeframe	3-5 years

### Fees

Management Cost	1.00% p.a. (inc. GST) calculated daily and charged monthly in arrears
Administration and Custody Fee	0.275% p.a. calculated daily and charged monthly in arrears. A lower fee applies for investments above \$1 million.
Performance Fee	15% of excess returns over the benchmark return
Transaction Cost	0.55% of the value of the transaction

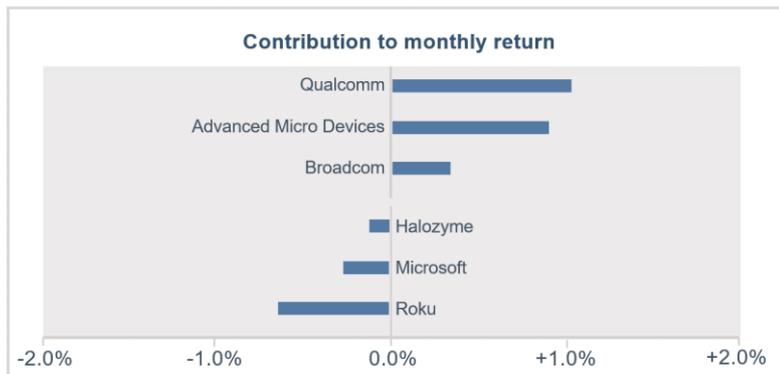
Of the Magnificent Seven, Nvidia's stock price rose the most across 2023. However, the chip designer's exposure to AI was not unique in the semiconductor space. Our semiconductor holdings generated +23.4% in performance across 2023. Point in fact, our largest overall contributor was Advanced Micro Devices, which added +7.1% across 2023.

Roku, our third largest contributor (behind Amazon), demonstrated the re-acceleration of digital advertising. This was also reflected in the adoption (or announcement) of an ad-supported tier for **Netflix** and Amazon Prime.

As 2024 approaches, the Fed has propounded rate cuts (although the timing and quantity is uncertain). Disruption is a multi-year process. The companies in which we invest may change as valuations evolve. However, opportunities that we see for semiconductors, advertising, automobiles and AI will likely remain in play through 2024.

The Australian dollar appreciated +2.8% against the US dollar over the month, which meant the value of the Portfolio's US dollar positions decreased. As at 29 December 2023, the Portfolio carried a foreign currency exposure of 100.0%.

## Selected Contributors and Detractors



## Portfolio Construction

At December month end, the Portfolio was 97.9% invested in 27 holdings with the balance in cash exposure. The Portfolio has a high exposure to large capitalisation names which are highly cash generative with strong balance sheets. Focusing on high quality companies helps the Portfolio to withstand difficult periods in the market and drive strong, long-term outcomes for investors.

Top Holdings (in alphabetical order)	
Alphabet	Netflix
Amazon	Nvidia
AMD	Qualcomm
Meta	Roku
Microsoft	Taiwan Semiconductor

Capitalisation USD	
Mega Cap > \$100b	69.6%
Large Cap \$50-100b	11.3%
Mid Cap \$2-50b	15.1%
Small Cap < \$2b	1.9%

## The Team



### Alex Pollak CIO and Founder

With 25 years' experience in disruptive business models gained during a career with Macquarie Bank, Alex heads one of the best-performing teams in global listed disruptive business investment in Australia.

He was instrumental in bringing both Seek and Carsales.com to the Australian stock market. He has a deep knowledge of investment and global change companies.



### Anshu Sharma Portfolio Manager and Founder

Anshu began his career as an analyst in global disruption investment more than fifteen years ago. This was soon followed by portfolio manager responsibilities across information technology and communications services sectors, before taking on the Portfolio Manager role at Loftus Peak as one of the founders of the firm in 2014.

Being mentored by the best in this space early on in his career, and having travelled extensively to meet hundreds of global companies, Anshu brings a wealth of experience to investing in disruption.



### Rick Steele CEO

Drawing on more than 30 years in funds management and government Rick is the CEO of Loftus Peak. After a successful career in the Australian Treasury, Rick held senior positions in a number of funds management firms in Australia, including BT Funds Management.

Rick is also Chairman of CitizenBlue, an impact enterprise operating a container recycling service for its environmental members.

## How can investors access Loftus Peak's global equity disruption capability?

All investors, both retail and sophisticated<sup>2</sup>, may access Loftus Peak's global equity disruption capability by investing in the Loftus Peak Global Disruption Fund or the Loftus Peak Global Disruption Fund (Hedged), which are unit trusts. As the name suggests, the hedged class of the Fund seeks to substantially hedge the foreign currency exposure arising from investments in overseas markets back to Australian dollars. Sophisticated investors may also invest by way of the Loftus Peak Global Change Portfolio (LPGCP) which is a managed discretionary account. The minimum account size for investments in the Portfolio is \$150,000.

While offered by way of two different legal structures, the two products are managed according to the same underlying investment objective and carry similar portfolio holdings. The main difference between the two products is that the Fund has a greater capacity to hedge market and currency exposure.

If you are uncertain as to which product is appropriate for you, we suggest you speak with your financial adviser or contact us directly at [enquiry@loftuspeak.com.au](mailto:enquiry@loftuspeak.com.au).

<sup>2</sup> a person qualifying as a sophisticated investor under section 708 (10) of the Corporations Act 2001 (Cth) (Act)

### IMPORTANT INFORMATION:

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